Cumbria Shared Internal Audit Service

Internal Audit Report for Carlisle City Council

CARLISLE
CITY COUNCIL
www.carlisle.gov.uk

Audit of Rethinking Waste Project Management

Draft Report Issued: **16/02/2017**

Final Report Issued: **28/02/2017**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Peter Usher	Peter.usher@cumbria.gov.uk	01228 226287
Lead Auditor(s)	Paul Forster	Paul.forster@cumbria.gov.uk	01228 226265

Audit Report Distribution

For Action:	Darren Crossley, Deputy Chief Executive Colin Bowley, Neighbourhood Services and Enforcement Manager
For Information:	
Audit Committee	The Audit Committee, which is due to be held on 16th March 2017,will receive the findings and recommendations from this audit.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker

Page 1

Executive Summary

1. Background

1.1. This report summarises the findings from the audit of project management arrangements for the Rethinking Waste Project. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.

1.2. Rethinking Waste is a long term Council project to improve waste collection and recycling services.

2. Audit Approach

2.1. **Audit Objectives and Methodology**

2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. **Audit Scope and Limitation**

2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Darren Crossley, Deputy Chief Executive. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- Project Management arrangements for the delivery of rethinking waste.
- Management of identified project risks and associated mitigations.
- Governance arrangements.

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A.**

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating over the project management of Rethinking Waste,provide **<u>Partial</u>** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There are **10** audit recommendations are arising from this audit review and these can be summarised as follows:

	No. of recommendations		
Control Objective	**High**	**Medium**	**Advisory**
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	3	2	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	2	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	2	1
Total Number of Recommendations	**5**	**4**	**1**

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- The Council has documented its approach to project management in the Project Management Handbook.
- Rethinking Waste is included as an item in the regular reports to the Corporate Programme Board.
- Members have been involved in the Rethinking Waste Project, including a Cross Party Working Group and consideration by the relevant Scrutiny Panel.

4.4. **Areas for development**: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:*

- The governance framework for the project has not been formally documented.
- The original approval for the Rethinking Waste Project is not documented.
- Operational risks are not formally recorded and monitored in a project risk register.
- Project team members have not received any training on the Council's Project Management Handbook.
- The Council's Project Management Handbook has not been followed and it is unclear how compliance is monitored.

4.4.2. *Medium priority issues:*

- A Project Initiation Document (PID) was not completed.
- Neighbourhood Services does not have a current service plan.
- Communication plan has not been fully developed.
- Key project documents are not archived.

4.4.3. *Advisory issues:*

- Recording of minutes does not follow best practice.

> **Comment from the Deputy Chief Executive**
> During the life of the Rethinking Waste Project it became clear that this transformative work was going to be largely determined via the Council's constitutional arrangements for taking key decisions. Much of the projects work has been directed towards making key decisions via the

Executive e.g. purchase of new vehicles, reduction of bring site locations, transfer of services in house. The work of the project team has been focused on making recommendations to members directly via these means and has therefore not spent additional specific time reporting to the Corporate Programme Board. This has led to some gaps emerging in the compliance of this project e.g. Project Management Handbook. However each important step in this transformation project has been documented via Executive, Scrutiny and where appropriate Council reports. It is recognised that more guidance and training is required for 'project leaders' and that clearer scoping of this work at the outset may have been helpful to those engaged in the work.

Management Action Plan

5.   Matters Arising / Agreed Action Plan

5.1.   Management - achievement of the organisation's strategic objectives.

● **High priority**

Audit finding	Management response
5.1.1. Governance Arrangements The governance framework for the project has not been formally documented. For example: • The Rethinking Waste Project Board terms of reference arein draft format, and the approval mechanism and responsibility for the terms of reference is unclear. • The draft terms of reference state that bi-monthly meetings will be held but no timetable for these was set or how these would co-ordinate with meetings of Corporate Programme Board or Scrutiny Panels. • It is also not clear from the draft terms of reference, what the responsibilities and accountabilities of Rethinking Waste Project Board members are. • The report to the Environment & Economy Overview and Scrutiny Panel on 28th July 2016 stated that, 'the Rethinking Waste Project Board continues to meet regularly', but had actually met only once in 2016 at that stage,with one further meeting that year in November, and not bi-monthly as per the draft terms of reference. As the Rethinking Waste Project Board has not met regularly, it is not clear how the Corporate Programme Board (which oversees all council projects)is being kept up to date with progress orwho was being held accountable for operational activities. • It was stated in the Environment &Economy Overview and Scrutiny Panel meeting of 28th July 2016 that the Cross Party Working Group was convened with the single purpose of considering the proposals put forward (for Rethinking Waste). There are no terms of reference agreed for the Cross Party Working Group, so it is not clear that the Group is	**Agreed management action:**

actually convened for this purpose, what the roles, responsibilities and accountabilities of the members are, and how decisions made by the group are used to inform the project.	
Recommendation 1: Governance arrangements for projects should be clearly specified and documented and agreed in advance. These should clearly set out what each relevant group or Board is responsible for and how they relate to each other. Terms of reference for future project boards and other governance groups convened to progress project activities should include: • Purpose of the Board/ group. • Decision making powers of the Board/group. • Membership, roles, responsibilities and accountabilities. • Relationship to other governance groups involved in the project, including delegated responsibility for decision making and/or consultative status.	This recommendation is accepted. Should Neighbourhood Services undertake a similar work programme again then additional thought would be given to establishing clearer governance arrangements. The work of the Rethinking Waste Project board is now an on-going work stream of Neighbourhood Services.
Risk exposure if not addressed: • Failure to achieve project objectives. • Delays to project delivery. • Overlaps or gaps in governance arrangement introducing unmanaged risks and/ or inefficiency and waste of resources.	**Responsible manager for implementing:** Colin Bowley **Date to be implemented:** When required.

<div align="right">● **High priority**</div>

Audit finding	Management response
5.1.2. **Project Approval** The Executive approved a full business case for the Rethinking Waste project in September 2015 but the Rethinking Waste Project Board was already meeting in 2014. We have seen a light business case for the original project but it isn't clear if, how or when this was approved.	**Agreed management action:**

Recommendation 2: Approval should be sought, agreed and documented in line with the project management handbook, prior to a project commencing.	In the case of the Rethinking Waste Project further consideration should have been given on the nature of the work to be undertaken and the most appropriate form of governance and management.
Risk exposure if not addressed: • Overlaps or gaps in governance arrangement introducing unmanaged risks and/ or inefficiency and waste of resources. • Inappropriate use of resources to deliver projects that don't support corporate priorities or are of lower priority than other projects competing for the same resources.	**Responsible manager for implementing:** Colin Bowley **Date to be implemented:** Not applicable

● **High priority**

Audit finding	Management response
5.1.3. **Project Risk Register** Our enquiries were unable to confirm the existence of a project risk register for the Rethinking Waste Project.We found various references to some risks being managed (for example in reports to the Corporate Programme Board) but no specific project risk register that was regularly considered by the Rethinking Waste Project Board. The Corporate Risk Management report to the Resources Overview and Scrutiny Panel on 20th October 2016 stated that, 'Risks associated with the Rethinking Waste project are being effectively managed through a refreshed business case and project plan, and the risk will not appear on the corporate risk register.' Although high level project risks relating to the project have formed part of the Corporate Programme Board Update reports, it is not clear how operational risks relating to the Rethinking Waste Project have been formally recorded and managed at project level.	**Agreed management action:**

Recommendation 3:	The Rethinking Waste Project did sit on the Council's Corporate Risk Register recognising the impact this work may have on the Council. This assisted managers to focus on the key risks to the Council and address these.
Operational risks relating to major Council projects should be formally recorded and managed in a project risk register. This should be available on project server, in line with the Council's Risk Management Policy. The project risk register should be the basis for reporting any significant risks to Corporate Programme Board and/or Scrutiny Panels.	
	The recording of project / operational risks associated with this work area was an area for improvement and will be considered in future projects.
Risk exposure if not addressed:	**Responsible manager for implementing:**
• Project risks are not identified, reviewed and controlled on a regular basis.	Colin Bowley
• Lack of clarity over responsibility for risk management.	**Date to be implemented:**
• Unclear where high level risks derive for reporting to Corporate Programme Board/Scrutiny Panels.	March 2017

●**Medium priority**

Audit finding	Management response
5.1.4. **Project Initiation**	**Agreed management action:**
No Project Initiation Document (PID) has been completed for this project.	
The Project Management Handbook states that,'The Project Initiation Documentation (PID) is the how and when (in detail) and who of the project. It is the practical solution and contains the detail needed to run the project, providing detailed information of thewho, when and how of the project.'	
The PID is required to be completed at the initiation stage of the project and a proforma is provided in the Project Management Handbook for this purpose.	

Recommendation 4:	
AProject Initiation Document should be completed at the initiation stage of the project, as set out in the Project Management Handbook.	Agreed, PID's should be completed and agreed.
Risk exposure if not addressed:	**Responsible manager for implementing:**
• Detailed information of the who, when and how of the project is not documented leading to project delay and failure to achieve objectives.	Colin Bowley **Date to be implemented:** As and when any similar projects are embarked upon.

<div align="right">●**Medium priority**</div>

Audit finding	Management response
5.1.5. **Service objectives and monitoring** The Carlisle corporate "plan on a page" includes the Rethinking Waste Project but the detailed objectives for Neighbourhood Services in 2016/17, including the Rethinking Waste project, have not been documented, and are not subject to regular monitoring by management through use of key performance indicators. Internal Audit was informed that a plan for 2017/18 is being drafted for Neighbourhood Services, which will feed in to a service plan for the new Community Services Directorate.	**Agreed management action:**
Recommendation 5: Management should ensure that a service plan for Neighbourhood Services is prepared for 2017/18 which includes objectives/targets relating to project delivery as well as service performance indicators.	Agreed. The 2017/18 is currently under development.
Risk exposure if not addressed: • Service objectives are not achieved leading with failure to fulfil key council priorities. • Project milestones are not achieved.	**Responsible manager for implementing:** Colin Bowley **Date to be implemented:** April 2017

5.2 Regulatory - compliance with laws, regulations, policies, procedures and contracts.

● **High priority**

Audit finding	Management response
5.2.1 Project Management Handbook The Council's approach to project management is set out in the Project Management Handbook. This is a comprehensive guide, which clearly explains the project management process and includes key documentation and timelines for projects. However, there was no process to ensure that all members of the project team were aware of and comply with the project management handbook. The Corporate Programme Board terms of reference state that: • It will play a key role in the monitoring of projects. • Ensure that projects are delivered to corporate best practice. • Ensure sound risk management is applied. There was no evidence to show that the Council has a mechanism in place to ensure that the recognised project management practices set out in the Project Management Handbook are followed.	**Agreed management action:**
Recommendation 6: Management should ensure that relevant staff are aware of and trained in the application of the Council's Project Management Handbook. **Recommendation 7:** The Corporate Programme Boardshould develop a mechanism to monitor that all projects are delivered to corporate best practice by following the Project Management Handbook.	Agreed further training on the Council's Project Management Handbook will be delivered as appropriate.

Risk exposure if not addressed:	Responsible manager for implementing:
• Projects do not follow corporately agreed standards leading to inconsistency and failure to achieve objectives in a planned and managed way.	Service Manager / HR Manager **Date to be implemented:** When required.

5.3   Information - reliability and integrity of financial and operational information**.**

●**Medium priority**

Audit finding	Management response
5.3.1 Communication Plan At the date of the audit there was no completed communication plan for the project.An incomplete proforma communication plan was provided but this needed further work. The project management handbook requires a communication plan to be produced at the initiation stage of a project as part of the PID. A report to the Executive on 21st September 2015 which included a detailed business plan, stated that a communication plan wasunder development for both internal and external audiences, and that the Cross Party Working group hadassisted greatly with the development of the plan and will continue to work on the communication planning during the implementation of the project. A furtherreport to the Environment & Economy Overview and Scrutiny Panel on 28th July 2016 stated that the views of the Cross Party Working Group and Scrutiny will form part of the communication plan. It is unclear if the communication plan under development in September 2015, involving the Cross Party Working Group, was completed. The minutes of the Rethinking Waste Project Board on 14th December 2016 stated that a… 'Communication plan and key messages to be developed and targeted where necessary.'	Agreed management action:

Recommendation 8:	When appropriate a new communications plan will be developed and this will clarify responsibilities.
A timetable for a communication plan should be established and this should also clarify who will be responsible for the plan and who will be consulted on its content.	
Risk exposure if not addressed: • Key project messages have not been communicated to stakeholders leading to delays and loss of reputation.	**Responsible manager for implementing:** Colin Bowley / Sarah Irving **Date to be implemented:** When required

●**Medium priority**

Audit finding	Management response
5.3.2 Retention of key documents A number of documents relating to the project were found to be either missing or in draft format. For example: • Only seven sets of minutes for the Rethinking Waste Project Board meetings were supplied. Two of the sets of minutes were in draft format. The earliest set of minutes was dated 19.06.14 but they referenced previous Board meetings with minutes not supplied, so it is unclear when the Board began to meet. • A light business case was provided in draft format. It is not dated so it is unclear when it was produced and for what purpose. • Rethinking Waste Project Board terms of reference are incomplete and in draft format. • There are no terms of reference for the Cross Party Working Group and only one set of meeting notes was available. • There is no Project Initiation document as required by the Project Management Handbook. • Only two monthly highlight reports to the Corporate Programme Board are available. Retention of key documents for the project is not in line with the Corporate Records Management	**Agreed management action:**

Policy.	
Recommendation 9: Key project documentation should be retained in line with the Corporate Records Management Policy.	Agreed. Key documents should be retained as per the policy.
Risk exposure if not addressed: • Confusion over past decisions taken leads to project delays. • Lessons may not be learned and mistakes repeated.	**Responsible manager for implementing:** Colin Bowley **Date to be implemented:** When required.

●**Advisory issue**

Audit finding	Management response
5.3.3 Minutes It is not always clear from the documented minutes of Rethinking Waste Project Board meetings that action points arising are followed up satisfactorily in subsequent meetings. For example, in the minutes of 19th June 2014, there is a specific request from the Deputy Chief Executive for dates to be added to actions but there are no dates next to actions in subsequent minutes. There is a standing item for agreeing minutes of previous meetings but the date of previous meeting is not recorded.	**Agreed management action:**
Recommendation 10: The recording of Rethinking Waste Project Board meetings should follow best practice including: • Agenda should be based on main points in terms of reference. • Action points allocated to individuals with dates which are reviewed for progress at subsequent meetings. • Minutes of previous meetings to be dated so it is clear which meeting is being referred to.	Agreed.

Risk exposure if not addressed: • Meetings do not address relevant points. • Lack of documented decision making/ actions assigned leads to project delays.	**Responsible manager for implementing:** Colin Bowley **Date to be implemented:** When required.

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The controls tested are being consistently applied and no weaknesses were identified. Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Recommendations are no greater than medium priority.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. Recommendations may include high and medium priority matters for address.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels ofaudit recommendations used; high, medium and advisory, the definitions of which are explained below.

		Definition:
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control

Recommendation Follow Up Arrangements:
- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.